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# XP Power - 2009 Annual Results

# Agenda

1. Introduction to XP Power
2. Financials
3. Strategy
4. Market and Growth Drivers
5. Product Development Update
6. Outlook

# 1. Introduction to XP Power

# Introduction to XP Power

- One of the world's leading developers and manufacturers of mission critical power control solutions
- Supplies industrial, healthcare and technology sectors
- Blue chip client list
- Historic and ongoing investment in R&D has built a market leading product portfolio
- Focus on higher margin own IP sales
- State of the art low cost manufacturing capacity established
- Network of 27 offices (and 19 distributors) across North America, Europe and Asia

## 2. Financials

## 2009 Financial Highlights – Record Results

Own IP revenue	£55.9M	+ 4%
Gross margin	45.0%	+0.8% points
Earnings per share*	40.8 pence	+17%
Operating cash flow	£16.3M	+92%
Net debt reduction	£9.1M	+33%
Dividend per share	22 pence	+5%

**Each of the above a record achieved in the most difficult market conditions**

\* Diluted and adjusted for amortisation of intangibles and non- cash foreign exchange gain

# Income and Expenditure Statement

	2009		2008	
	£ Millions	%	£ Millions	%
Revenue	67.3	100%	69.3	100.0%
Gross margin	30.3	45.0%	30.6	44.2%
Research and Development (net)	(2.6)	(3.8%)	(2.9)	(4.2%)
Operating expenses	(17.8)	(26.4%)	(18.1)	(26.1%)
Amortisation relating to acquisitions	(0.3)	(0.4%)	(0.3)	(0.4%)
<b>Operating profit</b>	<b>9.6</b>	<b>14.2%</b>	<b>9.3</b>	<b>13.4%</b>
Exceptional non cash FX gain	-	-	2.4	3.5%
Finance cost	(1.2)	(1.8%)	(1.5)	(2.2%)
<b>Profit before tax</b>	<b>8.4</b>	<b>12.5%</b>	<b>10.2</b>	<b>14.7%</b>
Tax	(0.8)	(1.2%)	(1.2)	(1.7%)
<b>Profit after tax</b>	<b>7.6</b>	<b>11.3%</b>	<b>9.0</b>	<b>13.0%</b>
Profit before tax (excluding amortisation and FX gain)	8.7	12.9%	8.0	11.5%
Adjusted diluted earnings per share	40.8p		34.8p	

# Summary Balance Sheets

	2009	2008
	£ Millions	£ Millions
<b>Current assets</b>		
Cash	4.0	3.4
Trade and other receivables	12.2	14.9
Inventories	10.7	17.5
<b>Total current assets</b>	<b>26.9</b>	<b>35.8</b>
<b>Non-current assets</b>		
Property plant and equipment	7.1	6.7
Goodwill	31.0	29.9
Others	7.5	6.5
<b>Total non-current assets</b>	<b>45.6</b>	<b>43.1</b>
<b>Current liabilities</b>		
Trade and other payables	9.4	12.3
Current income tax liabilities	2.5	3.1
Bank loans and overdrafts	3.9	7.3
<b>Total current liabilities</b>	<b>15.8</b>	<b>22.7</b>
Borrowings	18.8	23.9
Deferred income tax liabilities	1.8	1.4
Provision for deferred contingent consideration	3.6	1.9
<b>Net assets</b>	<b>32.5</b>	<b>29.0</b>
<b>Net debt</b>	<b>18.7</b>	<b>27.8</b>

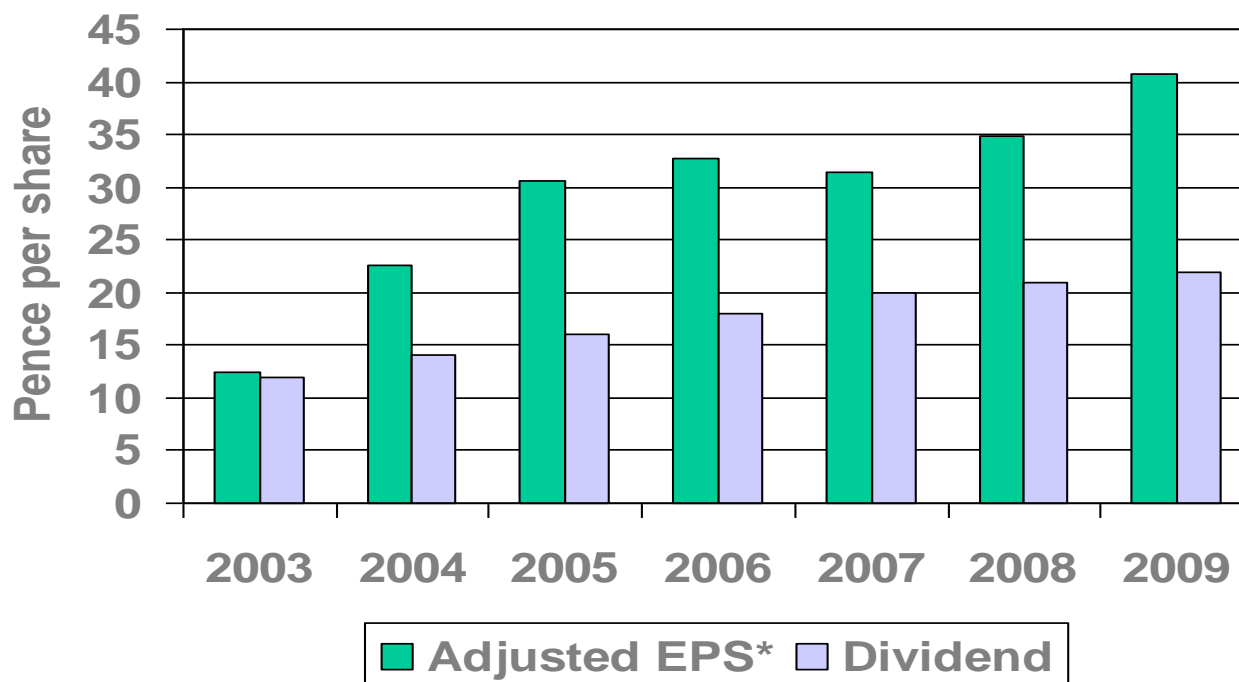


# Cash Flow Statements

£ Millions	2009	2008
<b>Cash provided by operating activities</b>	<b>16.3</b>	<b>8.5</b>
Capitalised development costs	(1.5)	(1.0)
Interest expense	(1.1)	(1.5)
<b>Free cash flow</b>	<b>13.7</b>	<b>6.0</b>
<b>Opening net debt</b>	<b>(27.8)</b>	<b>(19.4)</b>
Free cash flow	13.7	6.0
Acquisitions/deferred consideration	-	(1.0)
Purchase of property and equipment	(1.7)	(3.5)
Sale/(purchase) of treasury shares	-	(0.2)
Dividends	(4.0)	(4.2)
Effects of currency translation on cash	1.1	(5.5)
<b>Closing net debt</b>	<b>(18.7)</b>	<b>(27.8)</b>

**Net debt substantially reduced due to profitability and inventory reduction**

## Dividend History



- Cash generative business model allows consistent dividend growth
- Dividend and dividend cover increased during the downturn

\* Diluted and adjusted for amortisation of intangibles, non-cash foreign exchange gain, and reorganisation costs

## 3. Strategy

# Strategy

- Further expansion of product range
  - Class leading high efficiency converters
  - Product niches identified by industry specialists
- Leverage new low cost manufacturing facility in China
  - Gain further approved or preferred supplier status at leading blue chip OEMs
  - Expand manufacturing capabilities
  - Increase high margin contribution of in house developed, XP brand products

Drives growth in market share and increased margins

## Kunshan – New Factory

电子技术有限公司鸟瞰图



- Fundamental in achieving preferred supplier status with key blue chip customers
- New facility very favourably received based on initial customer audits
- Own manufactured product revenues expected to double in 2010



# State of the Art Manufacturing



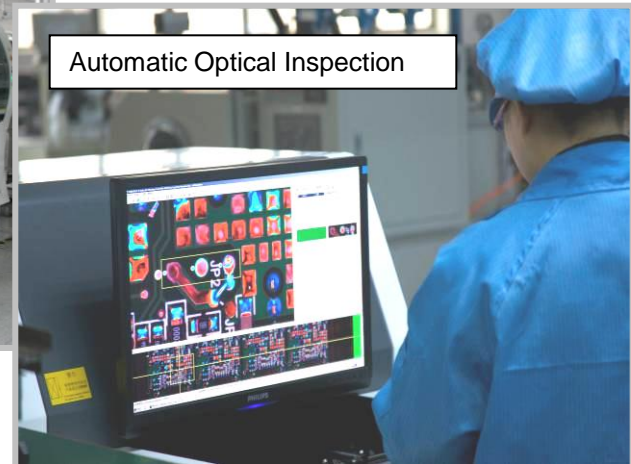
Automated pick and place



Lean manufacturing techniques and computer controlled operating instructions



Lead free wave solder



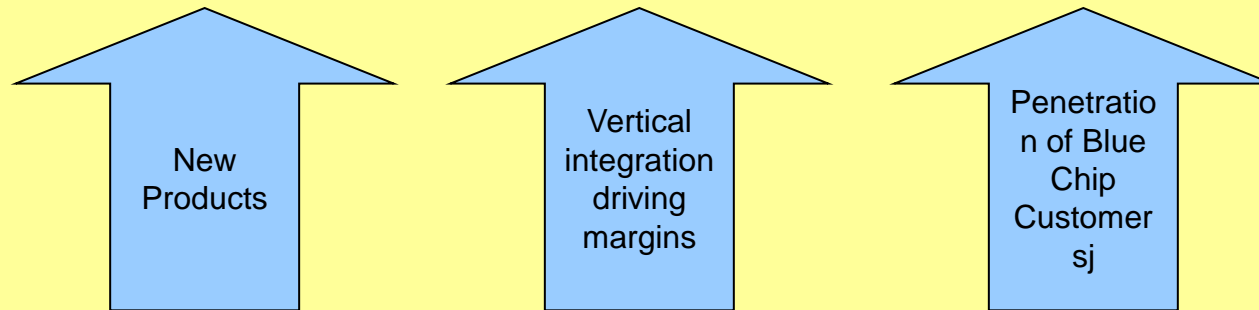
Automatic Optical Inspection

Our state of the art manufacturing facility is winning us new blue chip customers

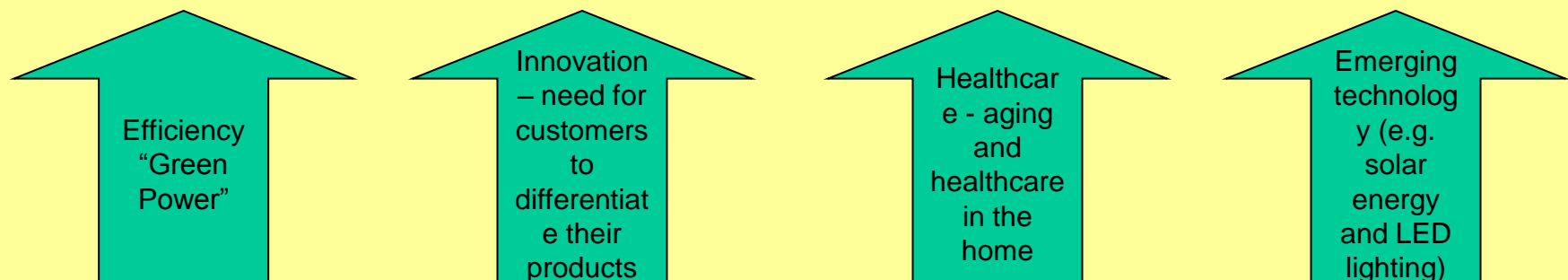
## 4. Market and Growth Drivers

# Growth Drivers

## XP Specific



## Market





## Market Size and Share

£ Millions	Market 2009	Share	Rank
Asia	330	1%	-
Europe	310	10%	3 <sup>rd</sup>
North America	410	8%	2 <sup>nd</sup>
<b>Total</b>	<b>1,050</b>	<b>6%</b>	

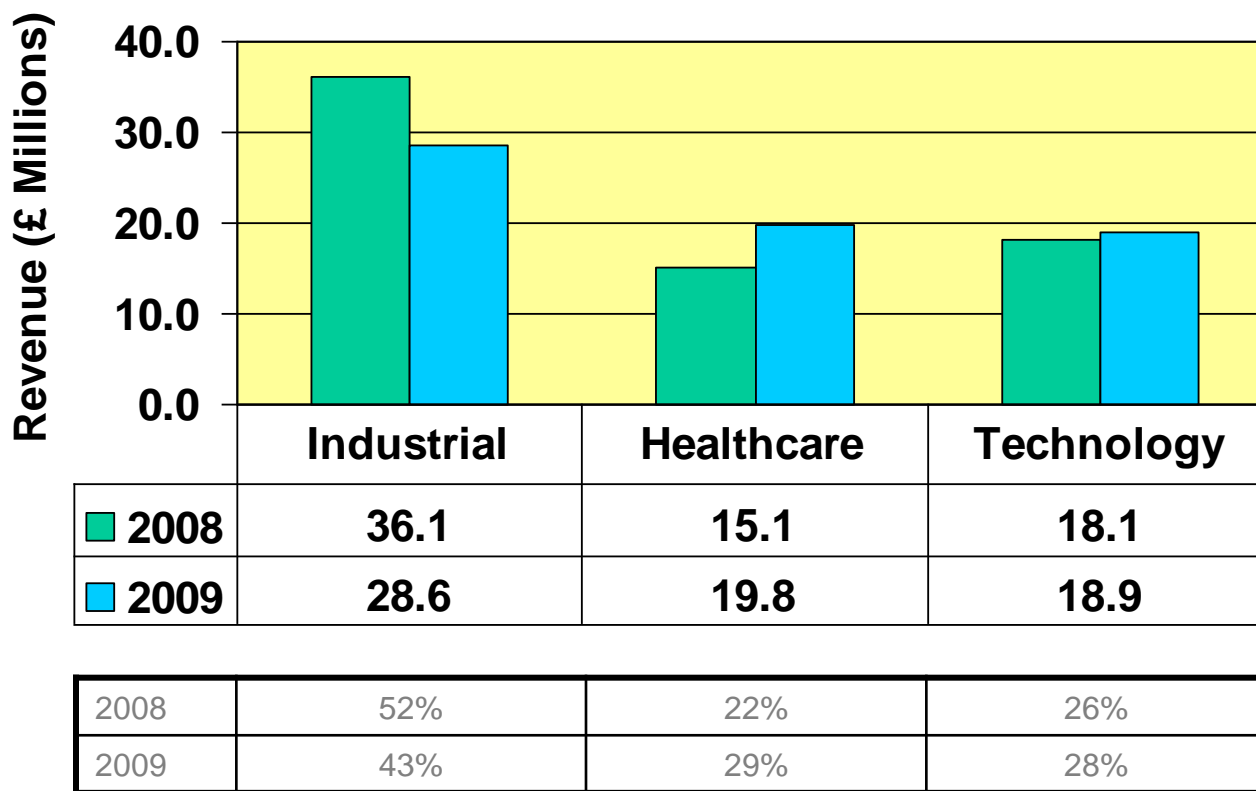
Market estimated to have declined 17% in 2009 in USD terms

## XP Power's revenue mix

£ Millions	Asia	Europe	North America	Total	%
Healthcare	0.3	7.8	11.7	<b>19.8</b>	29%
Industrial	3.0	15.4	10.2	<b>28.6</b>	43%
Technology	1.3	8.7	8.9	<b>18.9</b>	28%
<b>Total</b>	<b>4.6</b>	<b>31.9</b>	<b>30.8</b>	<b>67.3</b>	<b>100%</b>
	7%	47%	46%	100%	

# Sector Split

- 30% Growth in Healthcare mitigates weakness in Industrial
- Technology markets came back to life in Q4



## Major Customers

- We do business with the following proportions of the S&P 500 Equipment Manufacturers

- Industrial	77%	(2008: 73%)
- Healthcare	94%	(2008: 94%)
- Technology	70%	(2008: 69%)

- Diverse customer base with the largest customer at <3% of revenue

## 5. Product Development Update

# Product Development and Value Add Groups (VA)

**ORANGE COUNTY, CA**  
SUNNYVALE VA, CA

**FYFIELD, UK**  
PANGBOURNE VA, UK

**WAGHUESEL VA, GERMANY**

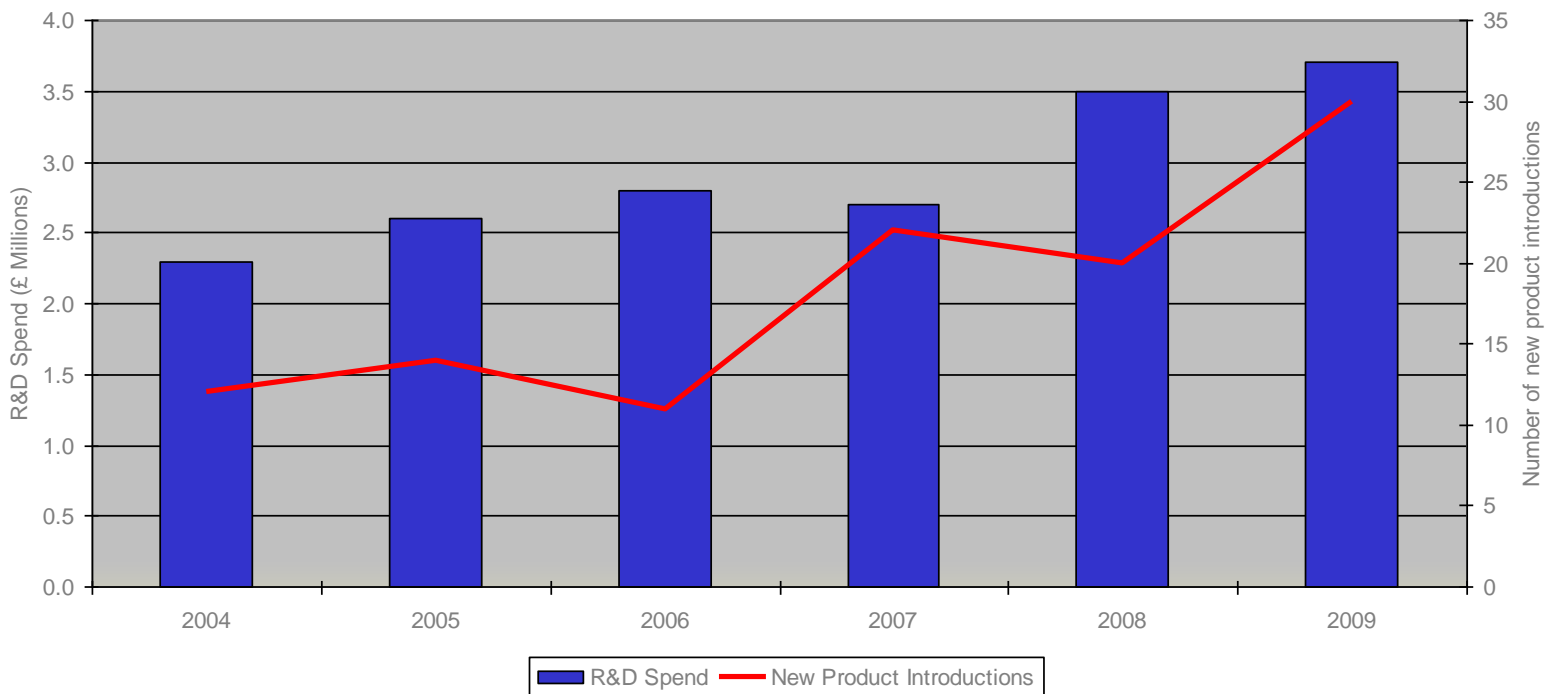
**SINGAPORE**

**3 PARTNERS**  
**CHINA**

**5 PARTNERS**  
**TAIWAN**

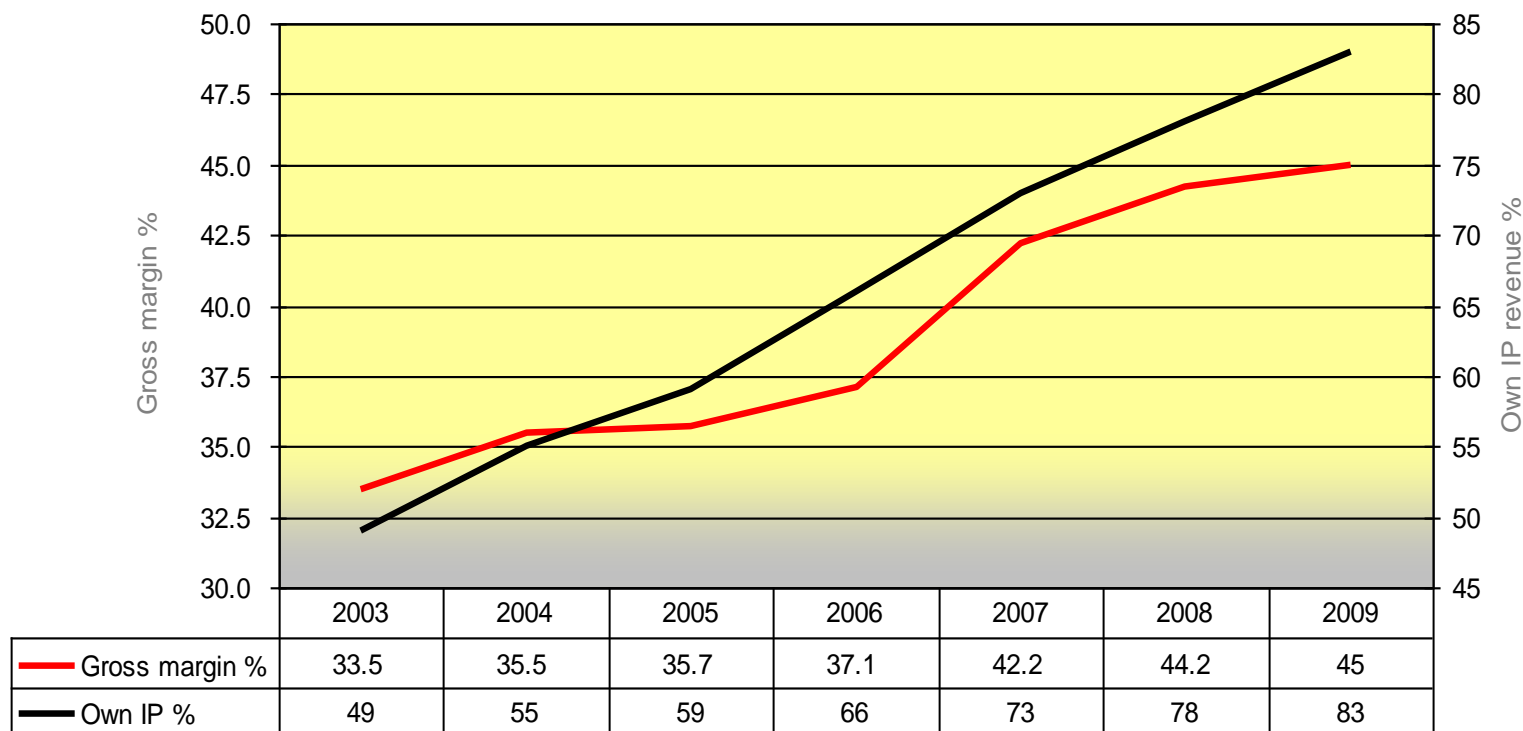


# Product Development



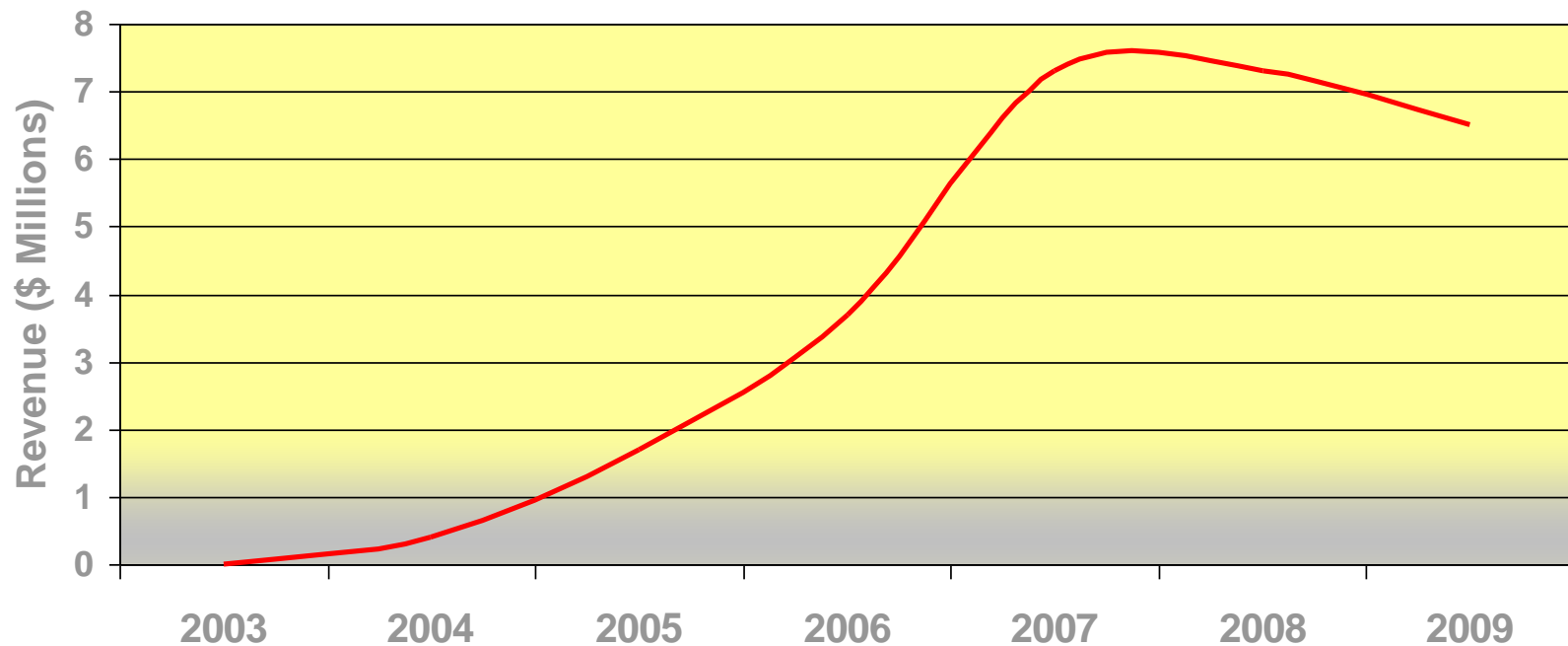
Increased investment in Product Development despite the downturn

# Own IP Revenues Drive Gross Margin Increase



**Record gross margins from growth in own IP sales**

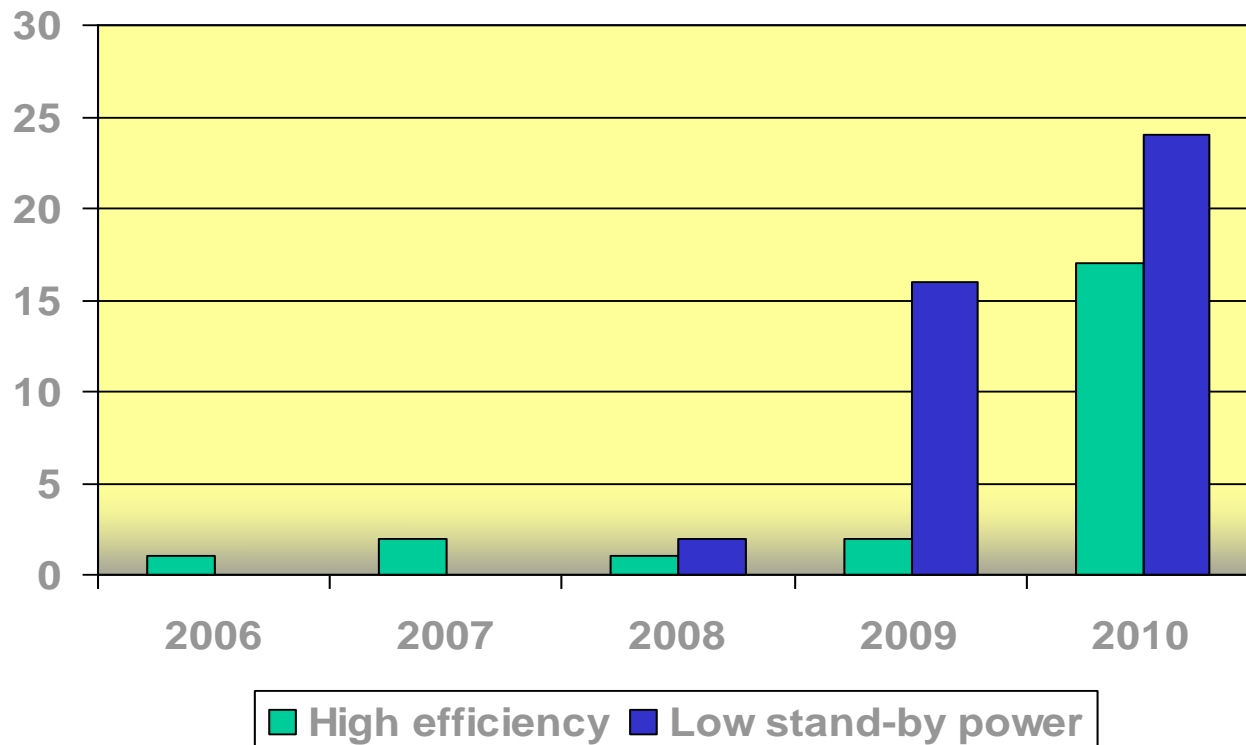
## Typical Product Life Cycle



- Substantial revenue annuity
- Design in cycle typically 14 to 18 months
- Bodes well for future revenue growth



## “Green” Product Introductions



Environmental concerns and legislation drive demand for energy efficient products

# Product Examples

## Technology



ECS100

High power density and meets all key energy efficiency standards

Meets stringent medical safety requirements achieving 95% efficiency



CCM250

Healthcare

## Industrial



LCL150/300/500

Ultra high reliability with harsh environmental conditions

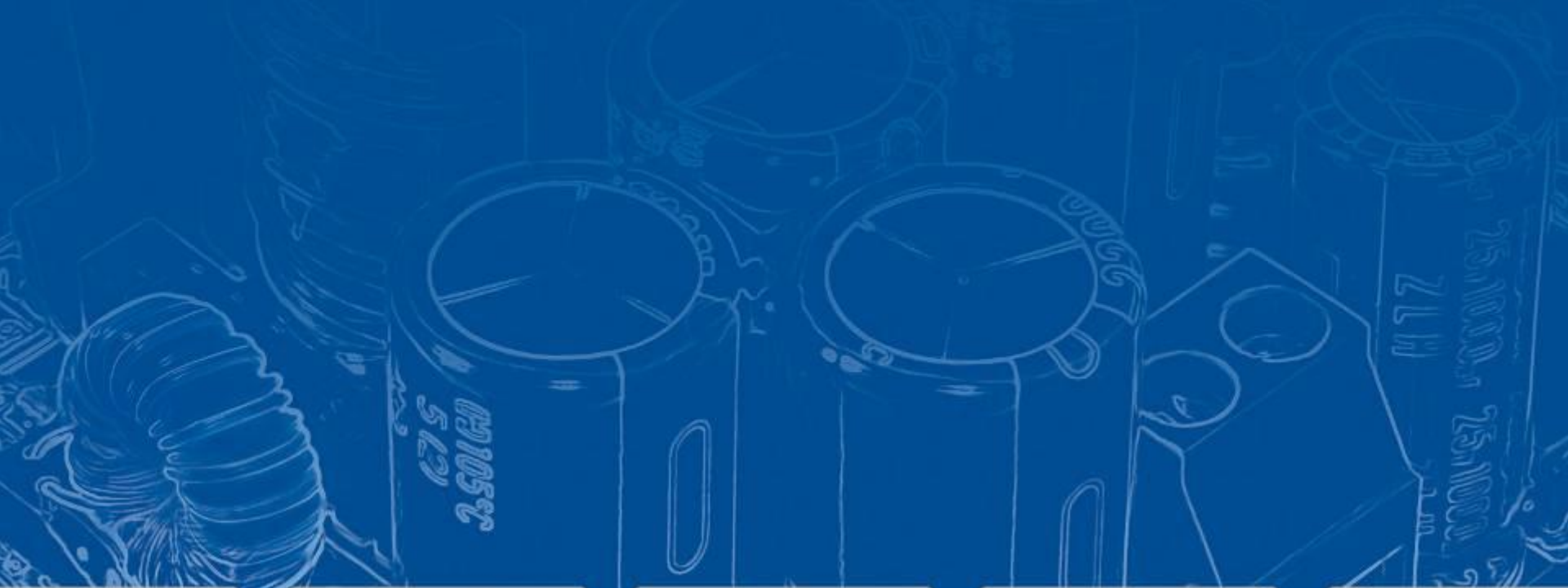
## 6. Outlook

## Outlook

- Weathered the downturn without cutting key resources
- State of the art manufacturing facility is helping us win new blue chip customers
- Our markets appear to be recovering rapidly
- Market leading product portfolio and low cost manufacturing capability should allow shareholders to benefit from above average earnings and dividend growth







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